

SENATE FINANCE COMMITTEE

March 10, 2021

9:00 a.m.

[9:00:46 AM](#)

CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson
Senator Natasha von Imhof
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

PRESENT VIA TELECONFERENCE

Curtis Thayer, Executive Director, Alaska Energy Authority, Department of Commerce, Community and Economic Development.

SUMMARY

^PRESENTATION: ALASKA ENERGY AUTHORITY - UPDATE ON ASSETS, PROJECTS, GRANTS & LOANS

[9:01:34 AM](#)

CURTIS THAYER, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), discussed the presentation "ALASKA ENERGY AUTHORITY - Senate Finance Committee - February 25, 2021."

[9:02:26 AM](#)

Mr. Thayer showed slide 2, "WHO WE ARE":

Created in 1976 by the Alaska Legislature, the Alaska Energy Authority (AEA) is a public corporation of the State of Alaska governed by a board of directors with the mission to "reduce the cost of energy in Alaska." AEA is the state's energy office and lead agency for statewide energy policy and program development.

9:02:48 AM

Mr. Thayer looked at slide 3, "WHAT WE DO":

Railbelt Energy - AEA owns the Bradley Lake Hydroelectric Project and the Alaska Intertie. These assets benefit Railbelt consumers by reducing the cost of power.

Power Cost Equalization - The Power Cost Equalization Program reduces the cost of electricity in rural Alaska for residential customers and community facilities.

Rural Energy - AEA constructs bulk fuel tank farms, diesel powerhouses, and electrical distribution grids in rural villages. AEA supports the operation of these facilities through circuit rider and emergency response programs

Renewable Energy - AEA provides renewable energy and energy efficiency grants, analysis, and expertise to benefit Alaskans. These include hydro, biomass, wind, solar, and others. Grants and Loans AEA provides loans to local utilities, local governments, and independent power producers for the construction or upgrade of power generation and other energy facilities

Energy Planning - In collaboration with local and regional partners, AEA provide critical economic and engineering analysis to plan the development of cost effective energy infrastructure.

Mr. Thayer specified that the Alaska Energy Authority was requesting a reappropriation of existing RPF funding from cancelled projects.

9:04:34 AM

Mr. Thayer referenced slide 4, "OUR PROJECTS," which showed a map of the state depicting projects across the state.

[9:05:02 AM](#)

Senator Hoffman referenced slide 3. He asked about the weatherization program and whether it fell under renewable energy efforts. He wondered how much would be spent on the program to reduce energy costs for Alaskans.

Mr. Thayer explained that the weatherization program was handled through the Alaska Housing Finance Corporation (AHFC). He continued that AEA worked with local communities in dealing with powerhouses and looking at waste heat.

Co-Chair Bishop asked whether the AEA circuit riders were direct employees.

Mr. Thayer affirmed that circuit riders were employees of AEA and the state. He furthered that funding for the positions were a partnership with the Denali Commission as well as federal receipt authority. There were four circuit riders that worked in rural Alaska.

[9:06:49 AM](#)

Mr. Thayer reviewed slide 5, "PROGRAMS AND PROJECTS":

- Bradley Lake Hydroelectric
- West Fork Upper Battle Creek Diversion
- SSQ Transmission Line
- Alaska Intertie
- Power Cost Equalization
- Rural Power System Upgrades
- Bulk Fuel Upgrades
- Alternative Energy + Energy Efficiency
- Renewable Energy Fund
- Power Project Fund

Mr. Bradley briefly detailed the projects and programs listed on the slide.

Mr. Thayer showed slide 6, "OWNED ASSETS." He turned to slide 7, "BRADLEY LAKE HYDROELECTRIC PROJECT":

- Benefits 500,000+ members of Chugach Electric Association, City of Seward, Golden Valley Electric Association, Homer Electric Association, and Matanuska Electric Association
- Produces ~10% of Railbelt electricity at 4.5 cents/kWh
- Over \$20 million in savings per year to Railbelt utilities Bradley Lake versus natural gas

Mr. Thayer addressed slide 8, "WEST FORK UPPER BATTLE CREEK DIVERSION":

- Project cost \$47 million, will add ~10% energy
- Substantial completion on July 22, 2020
- Project diverts runoff from Battle Creek into Bradley Lake expanding the state's largest hydroelectric facility
- Includes three miles of road, concrete diversion dam, and a five-foot diameter pipeline under the road to carry water from its source to Bradley Lake
- More energy at lower cost can be produced and delivered to ratepayers

[9:09:28 AM](#)

Mr. Thayer stated that the pipe had been orange on purpose.

[9:10:12 AM](#)

Mr. Thayer moved to slide 9, "SSQ TRANSMISSION LINE":

- 39.3 miles of 115-kV transmission line delivers Bradley Lake hydroelectric generated power
- AEA's recent purchase allows for better cost alignment, increased reliability, and future prospect for upgrades to the line, which would decrease line losses and allow for increased power transmission north, and unconstraining Bradley power
- Schedule begins with preliminary design with 6 months, 24 to 36 month estimate to finalize construction

Mr. Thayer detailed that the project resulted in better line development and had ended a lawsuit among utilities.

[9:11:54 AM](#)

Senator Hoffman referenced the additional costs of \$12 million when the power line had been down and asked how much the increase raised the cost per kilowatt hour.

Mr. Thayer agreed to provide the individual numbers per utility at a later time. He said that each utility had billed differently depending on the rate structure of what was expected from Bradley.

Senator Hoffman commented that the dollar amounts were important but thought it was useful for the committee to see the comparison in price for those that were serviced in the area.

[9:13:07 AM](#)

Senator Wilson understood the line originally owned by Homer Electric and asked whether the damage costs were reimbursable with federal funds to the utility or to AIDEA.

Mr. Thayer stated that the matter was being discussed with FEMA. He said that Homer Electric had repaired the line and brought the line back to service, for which it should be reimbursed. He said that the state had yet to be reimbursed by the federal government.

Senator Wilson understood that some utilities had wanted to repair the line quickly and that Homer Electric had denied them access to the line. He wondered who would maintain the line and make repairs.

Mr. Thayer stated that a lawsuit had revolved around an anti-trust matter and that there had been no lawsuits when the line was down. He stated it was a Homer Electric line and it was their responsibility to bring it back online. He said that there was a current agreement with Homer Electric to maintain the line, but in the event that they could not, any other utility could bring the line back up.

[9:15:57 AM](#)

Mr. Thayer reviewed slide 10, "ALASKA INTERTIE":

- 170 mile-long transmission line from Willow to Healy
- Allows Golden Valley Electric Association (GVEA) to connect to and benefit from lower cost power
- Improves reliability within Railbelt system
- Operated by AEA and Railbelt utilities
- Between 2008 and 2018, the Intertie provided an average annual cost savings of \$40 million to GVEA customers

Mr. Thayer thought it was important to note that on an average, Golden Valley received a \$40 million benefit from being able to buy power in the Anchorage market cheaper than it could be produced in the Fairbanks market. He thought it was an important comparison when considering the Power Cost Equalization Fund.

[9:16:56 AM](#)

Senator Hoffman asked about the \$40 million in annual cost savings and asked how the amount worked out to per kilowatt cost.

Mr. Thayer replied that he could provide the numbers to the committee.

Senator Hoffman thought it would be helpful to have future presentations include the per kilowatt numbers so they could understand the reduction in costs to Alaskans as a result of the projects.

Co-Chair Bishop added that when the Fairbanks area was able to utilize Bradley Lake the savings was approximately \$.02 per kilowatt hour.

[9:18:24 AM](#)

Co-Chair Stedman thought AEA had put together a summary page with comparative analysis of different energy sources a couple of years previously to compare cost per kilowatt.

He requested an updated summary as costs across the state varied substantially.

Co-Chair Bishop asked whether Mr. Thayer could provide the information to the committee.

Mr. Thayer replied in the affirmative.

[9:19:21 AM](#)

Co-Chair Bishop asked about the existing estimate to fully upgrade the existing intertie to realize the full potential of power generated by the Bradley Lake Hydroelectric plant.

Mr. Thayer said that it was approximately \$1 billion in different segments. He noted a future slide would provide a breakdown. He said that many constraining issues were in the Kenai Peninsula.

Co-Chair Bishop asked for an approximate cost estimate for building the Road Belt Intertie.

Mr. Thayer stated that the cost was an estimated \$1 million per mile, or \$315 million.

[9:21:25 AM](#)

Senator Wielechowski was curious about what Mr. Thayer knew about federal support for a natural gas pipeline. He acknowledged that the project would not be under AEA.

Mr. Thayer replied that he did not know the thoughts on the federal level concerning the natural gas pipeline.

[9:22:04 AM](#)

Senator Olson asked why Bradley Lake, being a renewable resource, was half the cost of natural gas - a non-renewable resource.

Mr. Thayer relayed that hydropower was generally the cheapest form of power. He continued that AEA was working on various ways to divert water and add generators to increase energy capacity and maximize the most power out of Bradley Lake.

Senator Olson referenced the recent natural disaster in the State of Texas in which many areas of the state lost power. He asked whether there were power redundancies that could ensure power loss during a natural or man-made disaster.

Mr. Thayer answered in the negative. He mentioned there was power generation in Homer, Mat-Su, and Fairbanks. He relayed that the transmission line was not a redundant system and a second lines were being considered.

[9:24:42 AM](#)

Co-Chair Stedman recalled that it had been the AIDEA rather than AEA that had presented the committee with the information regarding different energy source comparisons. He apologized and said that he would provide the information to the committee and AEA.

[9:25:37 AM](#)

Mr. Thayer spoke to slide 11, "MAXIMIZING CLEAN ENERGY FOR RAILBELT":

- Soldotna Quartz Creek (and Substation) --\$70 Million
- Bernice Lake Beluga HVDC --\$185.3 Million
- Grid Stabilization HVDC --\$115 Million
- University Dave's Creek 230kV --\$57.5 Million
- Bradley Lake Expansion (Spillway Raise) --\$4 Million

Mr. Thayer spoke to each project and mentioned AEA was looking at grid stabilization using batteries.

[9:27:30 AM](#)

Co-Chair Stedman wanted a brief synopsis of the Healy Clean Coal Project. He asked about potential integration of the coal plant at the University of Alaska Fairbanks.

Mr. Thayer noted that the projects were within the Golden Valley service territory. He said he would reach out to the utility for the information.

Senator Hoffman asked about a timeline for the projects listed on the slide. He asked for a synopsis to include how much customers would save on a kilowatt per hour basis. He thought it would be interesting to compare power cost reductions between projects. He emphasized that reducing the cost of energy for Alaskans was one of his highest priorities. He pointed out that the governor had mentioned reducing energy costs in his State of the State address. He highlighted AEA's mission to lower costs and wished that the information was reflected in the presentation.

Mr. Thayer responded that the following year the Bradley bonds would be entirely paid off, and there would be \$12 million available to benefit the state. He said that looking at bonding \$12 million over the next 29 years provided \$250 to \$300 million worth of work that could be done on the lines without affecting the state budget or rate payers.

9:31:50 AM

Mr. Thayer continued to address Senator Hoffman's remarks. He summarized that the AEA was working with utilities on each project and would provide more information.

Senator Hoffman thought what Mr. Thayer described fell under AEA's mission statement. He reiterated that he was looking forward to seeing how AEA planned to lower energy costs in the areas of the state that paid the highest rates, namely the rural areas of Western and Northern Alaska.

9:33:19 AM

Co-Chair Stedman asked whether AEA was involved in support of the Kake Gunnuk Creek Hydroelectric Project.

Mr. Thayer believed that AEA was involved in the Kake project, but that the authority was involved in over 30 projects. He relayed that he would provide the information.

Co-Chair Stedman expressed concern that after putting in the hydroelectric plant, the rates for residents had increased.

Mr. Thayer agreed to look into the matter.

9:34:35 AM

Senator von Imhof surmised that providing affordable energy to every part of the state had always been a challenge. She mentioned environmental concerns, cultural concerns, and the fact that often the projects crossed over private and public land. She added that the projects took time, effort, and negotiation. She noticed that slide 11 did not include tidal energy.

Mr. Thayer stated that AEA had looked at the topic of tidal energy. He shared that there were challenges with the tide and potential damage to tidal projects from silt. He said that there were no active tidal projects under review at the current time.

9:36:48 AM

Mr. Thayer showed slide 12, "ALASKA CARGO AND COLD STORAGE":

- AEA was awarded \$21 million USDOT BUILD grant to participate in the construction of a ~715,000-square-foot \$220 million state-of-the-art air cargo and cold storage facility at the Ted Stevens Anchorage International Airport (ANC)
- AEA will deliver its expertise in renewable energy design and operation to make the building a showpiece in energy-efficiency
- The project will enhance ANC's shipping infrastructure, improve Alaska's supply chain security, and create jobs for Alaskans —2,075 construction jobs and 120 full-time jobs

Mr. Thayer noted that the \$21 million grant was the largest awarded on the West Coast.

9:38:04 AM

Mr. Thayer showed slide 13, "POWER COST EQUALIZATION."

Mr. Thayer addressed slide 14, "POWER COST EQUALIZATION":

- Power Cost Equalization (PCE) provides electric power to rural residential customers and community

facilities at costs similar those in Anchorage, Fairbanks, and Juneau

- 194-eligible communities see the benefits of PCE credits
- In Fiscal Year 2020, \$29.6 million was disbursed
- PCE Endowment Fund created capitalized in Fiscal Year 2001; the now ~\$1.1 billion

Mr. Thayer stated that the disbursement number for 2021 was expected to be higher due to the rising cost of energy.

[9:39:58 AM](#)

Senator von Imhof understood that PCE Fund was used to pay for lowering the cost of energy in rural parts of the state. She asked whether there was a way to use some of the PCE funds to invest in capital projects that would lower the costs of energy for a community in perpetuity.

Mr. Thayer thought the matter signified policy call for the legislature and the governor. He added that in the area of bulk fuel, federal dollars could be used if a funding mechanism was provided.

Senator von Imhof thought Mr. Thayer was correct and leveraging federal dollars was an area to explore. She added that battery storage and alternative energy should also be expanded.

[9:42:11 AM](#)

Senator Hoffman thanked Mr. Thayer for his answer. He reminded that the legislature sets policy. He restated that he represented the communities in the state with the highest cost for energy. He stressed that the PCE program reduced energy costs to rural areas, but that those residents still paid significantly higher costs for energy than in urban areas of the state.

Co-Chair Bishop referenced an amendment to a gas line bill a few years previously that would lower costs for energy in rural Alaska. He said that if a gas line ever materialized it would benefit rural Alaska.

[9:44:27 AM](#)

Mr. Thayer reviewed slide 15, "PCE ENDOWMENT HISTORY (THOUSANDS)," which showed a table that with data on the beginning balance and inflows and outflows of the endowment from FY 16 through FY 20.

[9:44:52 AM](#)

Mr. Thayer showed slide 16, "RURAL ENERGY."

Mr. Thayer discussed slide 17, "RURAL POWER SYSTEM UPGRADES":

- ~197 communities eligible for Rural Power System Upgrade (RPSU)
- Goal –improve power system efficiency, safety, and reliability
- Aging infrastructure and Operation and Maintenance
- Active projects – 7 full and 16 Maintenance and Improvement/Diesel Emissions Reduction Act
- Deferred maintenance \$327 million

Mr. Thayer drew attention to the photo showing a green generator and shared that it was from the village of Tuluksak, which was currently operating with two new generators. He said that the private sector was used to build new powerhouse in the community. He lamented the \$327 million of deferred maintenance and noted that the previous year the legislature had appropriated \$5 million for deferred maintenance.

[9:46:38 AM](#)

Senator Wilson asked whether AEA ensured maintenance and ongoing operation of powerhouses and generation systems for rural energy upgrades.

Mr. Thayer described that AEA looked at communities' needs for power generation and assessed the needs of the powerhouses using 3-D modeling to identify problems within the structure. He said that in the approximately 200 rural

communities served by AEA, 150 had a relationship with the utility, which helped with maintenance. He cited that about 50 small communities in rural Alaska (with less than 250 people) were dependent on AEA for maintenance. He thought AEA had assumed the moral obligation to take care of the communities.

9:49:00 AM

Co-Chair Bishop asked whether Mr. Thayer could turn back to slide 15.

Senator Hoffman asked about transfers and appropriations to Other Funds, in FY 19 and FY 20, as listed on slide 15. He stated that the administration had proposed, and the legislature had agreed, on those transfers, but he believed that the legislature should reevaluate the spending. He lamented that dollars were taken from PCE and used to subsidize the administration and thought the dollars could be better spent to lower energy costs in rural Alaska. He thought that money should not be diverted from a program that was assisting the highest energy costs in the state, which were communities on PCE.

9:51:00 AM

Senator Olson discussed upgrades and asked whether there was a difference in eligibility for Alaska Village Electric Cooperative (AVEC) versus a community powerhouse.

Mr. Thayer answered in the negative and stated that AEA looked at the individual needs of each community. He continued that that AVEC provided maintenance to villages it was responsible for which meant the generational units had a longer lifespan.

Senator Olson asked about solar power upgrades being marketed in communities such as Unalakleet for individual homeowners. He wondered whether those residents could benefit from the AEA monies.

Mr. Thayer responded that AEA was responsible for powerhouses but not for upgrades on a house-by-house basis.

Senator Olson asked whether Mr. Thayer supported net back metering.

Mr. Thayer thought that there was a lot to the issue and that he should refrain from speculating on the matter.

[9:53:04 AM](#)

Mr. Thayer addressed slide 18, "RPSU PROJECTS REQUIRING FUNDING":

FY2022 RPSU Capital Requests

- Napaskiak
- Nelson Lagoon
- Nikolai
- Rampart

Next RPSU Priorities

- Beaver
- Buckland
- Chefornak
- Chenega Bay
- Chuathbaluk
- Crooked Creek
- Elfin Cove
- Golovin

Mr. Thayer announced that if the state were to receive \$5 million in funding it could be parlayed into \$12.5 million federal dollars, which would be used for the first four projects on the slide. The slide contained a picture of a new powerhouse and an older powerhouse.

[9:53:50 AM](#)

Senator Olson asked whether there was a timeline associated with the next rural power system upgrades.

Mr. Thayer said that if the capital appropriation of \$5 million were received, the top four projects would be funded.

[9:54:44 AM](#)

Senator Olson asked whether the timeline was 3 to 5 years for the current date.

Mr. Thayer responded in the affirmative - provided the funding was received.

[9:54:50 AM](#)

Senator Hoffman asked why the \$5 million was not included in a request by the administration to lower energy costs in rural areas. He stressed that the AEA should be focusing their energy on the areas of the state that had the highest energy costs. He contended that if AEA was following its mission, there would be something in the presentation that reflected lowering the cost of energy to Alaskans who currently paid the highest rates.

Co-Chair Bishop asked about AEA's absorption rate for projects.

Mr. Thayer replied that AEA currently had capacity, with federal funds, to increase staff and double the number of powerhouses. He reminded that the powerhouses were built by the private sector to AEA's specifications and project management. He announced that there was capacity to build additional powerhouses.

Co-Chair Bishop appreciated the information.

[9:57:30 AM](#)

Mr. Thayer moved to slide 19, "BULK FUEL UPGRADE":

- ~400 rural bulk fuel facilities
- Goal -code compliant fuel storage facilities and prevention of spills and contamination
- Aging infrastructure, erosion, and catastrophic failure
- Active projects -8 full and 18 Maintenance and Improvement No funding for two years
- Leveraging Coast Guard regulatory efforts to capture BFU assessments to prioritize projects
- Deferred maintenance \$800 million

Mr. Thayer said some bulk fuel stations were built in the 1960s and 1970s. He stated that the bulk fuel program had not been funded for the previous two years. He revealed that between the bulk fuel and powerhouse maintenance, deferred maintenance totaled \$1.1 billion.

[9:59:01 AM](#)

Mr. Thayer reviewed slide 20, "BFU PROJECTS REQUIRING FUNDING":

FY2022 Bfu Capital Requests

- Ekwok
- Marshall
- Shageluk

Next Bfu Priorities

- Minto
- Noatak
- Nondalton
- Shungnak
- Togiak
- Tuluksak

Mr. Thayer explained that the fuel containers did not have containment barriers or had rotted. He said that the capital request could be parlayed into a grant to tackle the projects.

[9:59:49 AM](#)

Co-Chair Bishop asked whether AEA had a standard for containment. He thought slide 19 and slide 20 showed different standards for containment.

Mr. Thayer answered that it would depend on the needs of the individual community. He related that large containment was preferred but it would depend on the community and where the location of the bulk fuel tank.

Co-Chair Bishop asked whether there was some regulation driving the containment choices since the United States Coast Guard was involved.

Mr. Thayer replied in the affirmative.

10:00:49 AM

Senator Olson looked at slide 20 and asked whether the picture depicted primary containment or secondary containment.

Mr. Thayer affirmed that the picture showed primary containment only.

10:01:17 AM

Mr. Thayer spoke to slide 21, "OPERATOR TRAINING":

- Cooperatively AEA and AVTEC train community operators
- Skills acquired include routine maintenance, troubleshooting, and supply management
- In Calendar Year 2020, 24 Power Plant Operators and 21 Bulk Fuel Operators successfully completed training from 21 communities

Mr. Thayer noted that much of these practices have been augmented due to Covid-19.

10:01:50 AM

Mr. Thayer discussed slide 22, " TRAINING AND TECHNICAL SUPPORT - January 1 through December 31, 2020":

Circuit Rider and Itinerant Bulk Fuel Operator Onsite Training

Number after the community indicates number of staff trips; 30 communities visited with 64 total staff trips.

Akhiok(2)
Akiachak(3)
Akiak(1)
Atmautluak(2)
Central(2)
Chefornak(2)
Chignik Bay(2)
Chignik Lake(4)
Chitina(1)
Circle(4)

Clarks Point(1)
Elfin Cove(2)
False Pass(2)
Fort Yukon(2)
Iliamna(3)
King Cove(2)
Kwethluk(2)
Larsen Bay(2)
Napaskiak(2)
Ouzinkie(1)
Pedro Bay(2)
Pelican(2)
Perryville(1)
Port Heiden(1)
Seward AVTEC(3)
Takotna(1)
Tenakee Springs(2)
Tuluksak(7)
Twin Hills(1)
Venetie(2)

Mr. Thayer showed slide 23, "TRAINING AND TECHNICAL SUPPORT
- January 1 through December 31, 2020":

Power Plant and Bulk Fuel Operator AVTEC Training

Number after the community indicates number of
operators from community trained; 21 communities 32
operators.

Anchorage(4)
Alakanuk(1)
Ambler(1)
Atmautluak(1)
Auke Bay(1)
Birch Creek(4)
Chenega Bay(1)
Chignik Lake(1)
Diomedes(1)
Edna Bay(2)
Golovin(1)
Iliamna(1)
Kalskag(1)
Kipnuk(1)
Nikolai(2)
Nunapitchuk(3)
Ouzinkie(1)

Pedro Bay(1)
Pilot Station(1)
Ruby(1)
Unalakleet (2)

Mr. Thayer referenced slide 24, "TRAINING AND TECHNICAL SUPPORT - January 1 through December 31, 2020":

Circuit Rider Real-Time Remote Assistance

Number after the community indicates number of distinct responses for assistance; 85 communities 452 total responses":

Adak(1)
Akhiok(2)
Akiachak(8)
Akiak(16)
AncANTHC(4)
AncDCRA(1)
AncFEMA(2)
AncPMC(1)
AncSEOC(2)
Angoon(5)
Arctic Village(1)
Atmautluak(11)
Atka(3)
Beaver (4)
Bethel Calista(2)
Birch Creek(1)
Buckland(4)
Central(5)
ChenegaBay(5)
ChignikBay(7)
ChignikLagoon(5)
ChignikLake(5)
Chitina(9)
Chefornak(3)
Circle(6)
Clarks Point(42)
Crooked Creek(4)
Deering(1)
Diomedes(10)
Egegik(7)
Elfin Cove(6)
Emmonak(1)
Fairbanks UAF(1)

Fairbanks TCC(2)
False Pass(3)
Fort Yukon(3)
Galena(1)
Gambell(1)
Hoonah(4)
Hughes(4)
Igiugig(6)
Juneau IPEC(1)
Kake(10)
Karluk(2)
King Cove(2)
Kipnuk(8)
Kobuk(1)
Kokhanok(3)
Kongiganak(3)
Koyuk(1)
Koyukuk(1)
Kwethluk(17)
Kwigillingok(9)
Larsen Bay(5)
Levelock(7)
Manokotak(1)
McGrath(5)
McGrath MKEC(1)
Mertarvik(11)
Napakiak(5)
Napaskiak(1)
Newhalen(1)
Newtok(3)
Nikolia(5)
NunamIqua(2)
Ouzinkie(18)
Pedro Bay(7)
Pelican(22)
Perryville(1)
Pilot Point(1)
Platinum(1)
Point Hope(1)
Port Heiden(10)
Rampart(1)
Ruby(7)
Saint George(3)
Stevens Village(5)
Takotna(3)
Tatitlek(8)
Tazimina(3)

TenakeeSprings(3)
Tuluksak(28)
TuluksakSchool(1)
Tuntutuliak(1)
Ugashik(1)
Venetie(1)
Wales(1)

[10:02:38 AM](#)

Mr. Thayer reviewed slide 25, "DENALI COMMISSION":

- Partners since inception and continuing over the last 23 years
- Active awards --\$33.3 million (as of 2/7/21)
- Anticipated additional federal funding this year -- \$6 million

[10:03:17 AM](#)

Mr. Thayer showed slide 26, "GRANTS and LOANS."

Mr. Thayer discussed slide 27, "RENEWABLE ENERGY FUND":

- Renewable Energy Fund (REF) helps Alaskans reduce and stabilize the cost of energy
- \$268 million invested in REF by the State
- 99 operational projects, 27 in development
- Round 13 recommendation submitted to Legislature January 2021
- REF program will sunset on June 20, 2023
- Approximately \$6.5 million available for Round 13

[10:04:02 AM](#)

Mr. Thayer addressed slide 28, "POWER PROJECT FUND":

- Dedicated to power projects, the Project Power Fund (PPF) is available to for qualified borrowers
- PPF is critical as grant funding is eliminated
- Requires review for technical and fiscal viability

- \$31 million in outstanding loans
- \$10.7 million uncommitted cash balance available for lending
- 8 applications pending for a total of \$10.4 million
- Low interest rates to encourage innovative power project applications

Mr. Thayer thought it was important to note that in addition to the funding one of the largest hydroelectric projects in Southeast Alaska, AEA had also financed a solar farm in Willow and a wind farm in Fairbanks. He noted that AEA's current interest rate was 2.85 percent.

[10:05:16 AM](#)

Co-Chair Stedman asked Mr. Thayer to review his mention of a project in Southeast.

Mr. Thayer discussed a Hiilangaay hydroelectric project near Ketchikan on Prince of Wales Island. He said the project was run by Haida Electric.

Co-Chair Stedman asked whether there had been any restructuring of loan terms or whether there were any borrowers in arrears.

Mr. Thayer relayed that no one was in default or arrears. He shared that some borrowers had refinanced as rates had dropped.

[10:06:53 AM](#)

Senator von Imhof referenced the company with good cash flow to pay down loans. She asked whether Mr. Thayer was confirming that customers were buying into energy sources and lowering the costs for users.

Mr. Thayer answered in the affirmative. He explained that AEA had two types of loans. He shared that one loan had no interest for the first seven years. He relayed that most of AEA's loans went to residents of local communities or local governments.

[10:08:31 AM](#)

Co-Chair Stedman asked whether Mr. Thayer had mentioned no-interest payments for the first seven years, or no interest only.

Mr. Thayer replied that the loan structure had been deemed to be interest free for the first seven years. He said that principal only was currently being paid on PPF loans, and interest payments would not begin for another 5.5 years.

[10:09:21 AM](#)

Mr. Thayer showed slide 29, "OPERATING and CAPITAL BUDGETS."

Mr. Thayer reviewed slide 30, "FY2022 OPERATING BUDGET (THOUSANDS)," which showed a table illustrating the AEA budget. He described that AEA's personal services were paid to AIDEA. He anticipated that PCE would increase with higher fuel costs. He discussed funding sources. He noted that the Office of Management and Budget had re-designated UGF funds to come from the PCE endowment. He stated that with the exception of PCE, the budget remained unchanged from FY 21.

[10:10:53 AM](#)

Senator Hoffman requested a breakdown of the three funding categories and how much AEA was proposing to take from the PCE Fund that was not authorized by statute for administration. He requested information on how much in state resources, in UGF, had been committed to lowering energy costs for Alaskans over the last ten years. He believed the state was completely eliminating support for energy relief to those who needed it most.

Mr. Thayer agreed to provide a response to Senator Hoffman's concerns.

[10:12:43 AM](#)

Mr. Thayer spoke to slide 31, "FY2022 CAPITAL BUDGET (THOUSANDS)," which showed a table with the capital budget request for FY 22. He detailed that AEA was asking for federal receipt authority on alternative energy and energy efficiency programs. He mentioned that with AEA's partnership with the Denali Commission and noted that the authority needed legislative approval for acceptance of

federal funds. He reiterated the importance for the funding for bulk fuel upgrades. He hoped that the state investment could be parlayed into a federal receipt authority of over \$30 million. He spoke to supplemental capital requests.

[10:14:57 AM](#)

Senator Hoffman recalled that the previous truncated legislative session that was cut short due to Covid-19. He asked about capital funds that had not been approved and queried how much had been foregone in federal dollars during the past two years.

Mr. Thayer replied that rural powerhouse funding had been received for last year but not for the two preceding years, which left \$25 million in federal funds on the table. He added that approximately \$15 million had been left on the table for bulk fuel due to a non-match. Combined, nearly \$40 million federal match had been left uncapitalized.

Senator Hoffman queried the match ratio.

Mr. Thayer said that the ratio was 2:1.

Senator Hoffman thought the committee should take a stronger look at the matter and ensure that federal dollars were maximized to reduce energy costs for residents of the state.

[10:16:51 AM](#)

Co-Chair Stedman suggested that the committee staff, with the assistance of AEA, put together a 5-year synopsis, including FY 22, to explore potential loss of opportunity because of unrealized federal funds. He believed that the state should be working to maximize the use of federal dollars.

[10:17:33 AM](#)

Senator Wielechowski was curious whether there were other federal funding opportunities the state might be eligible that were not listed on the slide.

Mr. Thayer shared that the federal Covid bill package that passed in December of 2020 provided several opportunities

for the state to take advantage for federal match. He continued that AEA was working through the bill.

Senator Wielechowski asked whether the committee could expect a supplemental request if AEA found opportunities before the FY 22 budget process was complete.

Mr. Thayer thought it was possible but noted that regulations had yet to be completed for the various funding opportunities for state agencies.

[10:19:17 AM](#)

Co-Chair Bishop referenced slide 31. He asked about the \$17.5 thousand for Rural Power Systems Upgrades. He spoke to Slide 18 and mentioned the \$5 million for the first four power stations in the slide. He wondered how far AEA would get in meeting the list of priorities if the budget was approved.

Mr. Thayer replied that he would get back to the committee with the information.

[10:20:17 AM](#)

Mr. Thayer turned to slide 32, "UNAUDITED FINANCIAL HIGHLIGHTS (THOUSANDS)," which showed a table listing and unaudited balance sheet of assets and deferred outflows of resources and liabilities and net position. He reiterated that there were no surprises listed on the slide.

[10:21:06 AM](#)

Mr. Thayer advanced to slide 33, "UNAUDITED FINANCIAL HIGHLIGHTS (THOUSANDS)," which showed a table detailing revenue, expenses, and changes in net position. He noted that there was a decrease in the net position of \$1 billion due to PCE having been swept on June 30, 2021. He relayed that on the next set of financials it would be reflected that the \$1 billion was back as of July 1, 2021.

[10:21:46 AM](#)

Mr. Thayer showed slide 34, "SUSITNA-WATANA HYDROELECTRIC PROJECT."

Mr. Thayer reviewed slide 35, "SUSITNA-WATANA HYDROELECTRIC PROJECT":

- Dam Height - 705 feet
- Dam Elevation - 2,065 Feet MSL
- Reservoir Length - ~42 miles
- Reservoir Width - ~1.25 miles
- Installed Capacity - 459-619 MW
- Annual Energy - 2,800,000 MWh
- Cost - ~\$5.655 billion (2014\$)

Mr. Thayer said that there were a lot of additional interest from companies looking to invest in the project. He noted that the project would take the Railbelt to 60 percent renewable once complete. He shared that the numbers reflected on the slide were 2014 numbers and would be revisited to reflect current numerics.

[10:23:55 AM](#)

Mr. Thayer addressed slide 36, "SUSITNA-WATANA ECONOMICS":

- Benefit-Cost and Economic Impact Analyses completed in 2015
 - Based on 2014 projection of natural gas prices:
 - Benefit-cost ratio of 2.39 from energy savings alone
 - \$11.2 billion (2014\$) in energy savings over first 50 years
 - \$4.7 billion (2014\$) in capital and O&M costs over first 50 years

Mr. Thayer looked at slide 37, "SUSITNA-WATANA STATUS":

- Integrated Licensing Process
- 2/3 of the way done; \$193 Million invested
- Cost to complete ~\$100 million for license
- 58 FERC-approved studies:
 - Implemented 2012-2017
 - 19 studies completed
 - 39 significant progress made
- Initial Study Report filed with FERC
-

10:24:28 AM

Co-Chair Stedman thought it would be helpful to examine the spin rate and distribution costs in comparison to the rate paid by customers.

10:25:23 AM

Co-Chair Bishop understood that \$193 million had been invested in the project and another \$100 million would be needed to complete the FERC license.

Mr. Thayer answered in the affirmative.

10:26:01 AM

Senator Wilson commented that it seemed that the current administration had put the project on pause and that it would be good for the FERC license to be completed.

Co-Chair Bishop thanked Senator Wilson for his comment.

Co-Chair Bishop commented that the project was a good one and be a priority.

10:27:22 AM

Mr. Thayer turned to slide 38:

AEA provides energy solutions to meet the unique needs and opportunities of Alaska's rural and urban communities.

Senator Hoffman thought slide 38 was exciting. He queried what in the AEA budget met the energy solutions in rural Alaska.

Mr. Thayer replied that working with powerhouses and bulk fuel in communities and understanding the individual needs of communities was critical. He related that the purchase of the SSQ line in urban areas was resolving many issues. He thought that AEA was trying to turn the corner in rural Alaska and working to tackle the deferred maintenance issues in that area of the state.

Co-Chair Bishop discussed the agenda for the following day.

#

ADJOURNMENT

10:30:28 AM

The meeting was adjourned at 10:30 a.m.